

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-05 L-02 ACDA-05

NSAE-00 PA-01 RSC-01 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 EURE-00 SS-15 NSC-05 OMB-01 IO-10 /071 W

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P R 271640Z NOV 74

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 9024

SECDEF WASHDC PRIORITY

INFO ALL NATO CAPITALS 4760

USNMR SHAPE

USCINCEUR

USLOSACLANT

USCINCLANT

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 6606

E.O. 11652: GDS

TAGS: MPOL NATO

SUBJ: NATO DEFENSE EXPENDITURES AND RELEASE OF US DEFENSE
EXPENDITURES DATA

BEGIN SUMMARY: THIS MESSAGE IS IN TWO PARTS. THE FIRST PART
DEALS WITH THE US PORTION OF THE ANNUAL NATO PRESS RELEASE
COMMUNIQUE ON MEMBER COUNTRIES' DEFENSE EXPENDITURES (NATO
DEFINITION). UNLESS WASHINGTON OBJECTS, WE WILL AGREE TO RE-
LEASE OF DATA IN PARA ONE BELOW ON US DEFENSE EXPENDITURES.
THE SECOND PART OF THIS MESSAGE COVERS ACTUAL AND PROJECTED
DEFENSE EXPENDITURES (NATO DEFINITION) OF NATO ALLIES FOR
1973, 1974, AND 1975. END SUMMARY.

1. PART ONE. AS IN PREVIOUS YEARS, DURING THE DECEMBER DPC
MINISTERIAL MEETING THE NATO INFORMATION SERVICE WILL ISSUE AN
UNCLASSIFIED PRESS RELEASE COMMUNIQUE ON MEMBER COUNTRIES'
DEFENSE EXPENDITURES (DRC/N(74)34). THE NATO INFORMATION SER-
VICE WANTS TO INCLUDE IN ITS PRESS COMMUNIQUE THE FOLLOWING
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CURRENT PRICE FIGURES (IN MILLIONS OF DOLLARS) FOR THE US
(NATO DEFINITION) BY CALENDAR YEAR WHICH ARE DERIVED FROM US
RESPONSES TO DPQS:

1949 13,503

1954 42,786

1965 51,827
 1966 63,572
 1967 75,448
 1968 80,732
 1969 81,443
 1970 77,854
 1971 74,862
 1972 77,639
 1973 78,473
 1974 84,332 (FORECAST)

2. IS CLASSIFIES THE FIGURES CONFIDENTIAL UNTIL NATIONS AGREE TO THEIR RELEASE TO THE PRESS. ACTION REQUESTED: UNLESS WASHINGTON OBJECTS BY NOVEMBER 29, WE PROPOSE TO AGREE TO THE RELEASE OF THE DATA IN PARA 1 ON US DEFENSE EXPENDITURES. END PART ONE.

3. BEGIN PART TWO: USNATO INITIAL ASSESSMENT INDICATES THAT THE DEFENSE EXPENDITURES OF OUR NATO EUROPEAN ALLIES WILL INCREASE IN 1974 BY NEARLY \$4 BILLION TO \$44,427 MILLION IN COMPARISON WITH 1973 FIGURE OF \$40,493MILLION. USNATO ASSESSMENT IS BASED ON INFORMATION INNATIONAL REPLIES TO DPQ(74), UPDATED WITH DATA IN NATIONAL RESPONSES TO NATO'S QUARTERLY REPORT ON DEFENSE EXPENDITURES AND DATA PROVIDED BY NATIONS TO INTERNATIONAL STAFF (IS) DURING TRILATERAL AND MULTILATERAL STAGES OF 1974 DEFENSE PLANNING REVIEW; EXCEPT FOR FRANCE WHO PROVIDED DATA DIRECTLY TO IS.

4. DEFENSE EXPENDITUES IN NATIONAL CURRENCIES (CURRENT PRICES) BY CALENDAR YEARS, WITH TOTALS FOR NATO EUROPE AND DPC EUROPE IN US DOLLARS, FOLLOW:

(NATIONAL CURRENCIES IN MILLIONS)

ACTUAL ESTIMATED PROVISIONAL

COUNTRY	CY1973	CY1974	FORECAST CY1975
BELGIUM	48,941	57,315	65,965
DENMARK	3,520	4,343	4,163 (CONSTANT PRICES)

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FRANCE	41,460	43,936	50,653
FRG	31,908	35,964	38,273
GREECE	19,866	24,126	25,996
ITALY (MILLIARDS)	2,392	2,676	2,945
LUXEMBOURG	601	677	788
NETHERLANDS	5,465	6,437	7,164
NORWAY	3,505	4,081	4,454
PORTUGAL	16,736	20,910	22,144
TURKEY	12,192	15,831	19,359
UK	3,505	4,148	N/A
NATO EUROPE	\$40,493	\$44,427	N/A
DPC EUROPE			
(NATO EUROPE			
LESS FRANCE			
AND GREECE)	\$30,541	\$34,681	N/A

CANADA 2,405 2,770 N/A

COMMENTS ON ABOVE TABLE.

5. FOR DOLLARS TOTALS FOR NATO EUROPE AND DPC EUROPE (NATO EUROPE LESS FRANCE AND GREECE), WE HAVE UTILIZED LATEST EXCHANGE RATES THAT WILL APPEAR IN DECEMBER VERSION OF INTERNATIONAL STAFF MEMORANDUM (ISM) ON BASIC STATISTICAL DATA; EXCHANGE RATES TO SOME EXTENT REFLECT THE IMPACT OF MONETARY EVENTS (E.G. DOLLAR DEPRECIATION) AND THUS THE READER SHOULD EXERCISE A CERTAIN AMOUNT OF CAUTION IN MAKING YEARLY COMPARISONS.

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NSAE-00 PA-01 RSC-01 PRS-01 SP-02 USIA-06 TRSE-00

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FM USMISSION NATO

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INFO ALL NATO CAPITALS 4761

USNMR SHAPE

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6. THE ABOVE FIGURES FOR 1973 AND 1974, UNLESS CORRECTED BY NATIONS, WILL APPEAR IN THE DECEMBER 1974 ISM; ISM NEVER PROVIDES DATA BEYOND CURRENT YEAR, I.E. 1974. IS BELIEVES ITALY WILL ADJUST 1974 ESTIMATE.

7. WE STRESS THE PROVISIONAL NATURE OF THE 1975 ESTIMATES; CANADA AND UK HAVE NOT YET FURNISHED 1975 ESTIMATES; IS ALREADY ANTICIPATES AN UPWARD REVISION FOR THE PROVISIONAL 1975 ESTIMATES FOR DENMARK, FRG, GREECE, ITALY, NORWAY, NETHERLANDS, AND TURKEY, MOSTLY THROUGH EXPECTED SUPPLEMENTAL FUNDING TO COVER WAGE AND PRICE INCREASES.

8. USNATO INITIAL ASSESSMENT INDICATES MOST NATO ALLIES WILL INCREASE THEIR DEFENSE EXPENDITURES AT LEAST marginally IN REAL TERMS IN 1974 OVER 1973. FOR EXAMPLE, IT APPEARS CERTAIN THAT BELGIUM, FRG, GREECE, NETHERLANDS, NORWAY, AND UK WILL

SHOW A REAL INCREASE IN 1974; DENMARK, LUXEMBOURG, AND TURKEY SHOULD AT LEAST MAINTAIN THEIR CURRENT EFFORT IN REAL TERMS.

9. USING CONSUMER PRICE INDEX RATE FOR INFLATION OF ABOUT 14
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PERCENT, IS EXPECTS A REAL TERM DPC EUROPE INCREASE OF 1.5 TO 2 PERCENT IN 1974 OVER 1973. FOR NATO EUROPE (ESSENTIALLY BECAUSE OF THE INCLUSION OF FRANCE) IS PROJECTS MAINTENANCE OF DEFENSE EXPENDITURES IN REAL TERMS IN 1974.

10. USING LOWER GROSS DOMESTIC PRODUCT (GDP) RATE OF INFLATION (APPROXIMATELY 12 PERCENT), IS ARRIVES AT A REAL INCREASE OF UP TO 4 PERCENT FOR DPC EUROPE AND UP TO 3 PERCENT FOR NATO EUROPE IN 1974 OVER 1973. HOWEVER THIS ESTIMATE, WHILE INCLUDING MOST EXPECTED ADJUSTMENTS TO 1974 DEFENSE SPENDING ESTIMATES, DOES NOT INCLUDE ALL ANTICIPATED ADJUSTMENTS TO GDP DEFLATOR; HENCE IS BELIEVES GDP DEFLATOR CITED ABOVE IS LOWER THAN FINAL 1974 FIGURE.

11. NATO INFORMATION SERVICE HAS CIRCULATED A PAPER ENTITLED, "EUROPE'S DEFENSE: SOME BASIC FACTS" (WHICH USNATO DEFENSE ADVISOR, DR. LEGERE, HANDCARRIED TO WASHINGTON). THE COVER NOTE STATES THE IS PAPER IS ADAPTED FROM "FACT SHEETS" ISSUED IN DEPARTMENT OF STATE PUBLICATION 8782 DATED OCTOBER 1974. MISSION NOTES THAT LATEST DEFENSE EXPENDITURE ESTIMATES FOR NATO EUROPE EMERGING FROM 1974 DEFENSE PLANNING REVIEW (\$44,427) ARE CONSIDERABLY HIGHER THAN OBVIOUSLY EARLIER ESTIMATE OF APPROXIMATELY \$42 BILLION IN THE NATO INFORMATION SERVICE PAPER. MCAULIFFE

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